The General Meeting of
Grupa Azoty S.A.

Tarnów, January 21st 2020

Re: consent to the subscription for shares in the increased share capital of Grupa Azoty Polyolefins S.A.

Legal basis: Article 50.12 and Article 51 of the Articles of Association of Grupa Azoty S.A.

In connection with the planned issue of Series F shares in Grupa Azoty Polyolefins S.A., the Management Board of Grupa Azoty S.A. (the „Company”) hereby requests the General Meeting to consent to the subscription by the Company of new shares at the issue price determined by the General Meeting of Grupa Azoty Polyolefins S.A.

The share capital of Grupa Azoty Polyolefins S.A. will be increased by the amount determined by its General Meeting and corresponding to the issue price of the new shares. The existing shareholders of Grupa Azoty Polyolefins S.A. (i.e. Grupa Azoty S.A. and Grupa Azoty Zakłady Chemiczne Police S.A.) will contribute a total of PLN 632,013,244.90 to increase its share capital, with any share premium to be allocated to the subsidiary's statutory reserve funds.

In connection with the planned increase in the share capital of Grupa Azoty Polyolefins S.A., its existing shareholders intend to acquire such quantities of new shares as to maintain the subsidiary's current shareholding structure.

As Grupa Azoty S.A. intends to allocate more than PLN 100m to acquire new shares in Grupa Azoty Polyolefins S.A., under Article 50.12 of the Company’s Articles of Association it will be necessary to request the General Meeting’s consent to their acquisition.

The General Meeting will also be required to authorise the Company’s Management Board to take all formal and legal steps necessary to commence the subscription for the new shares to be issued by Grupa Azoty Polyolefins S.A., including to determine the final number of the new shares in Grupa Azoty Polyolefins S.A. to be subscribed for based on an invitation to subscribe for the new shares extended by Grupa Azoty Polyolefins S.A. pursuant to the its General Meeting’s resolution to increase the share capital and to conclude an agreement on the subscription for new shares in Grupa Azoty Polyolefins S.A., subject to the Supervisory Board’s prior consent to the conclusion of such agreement if the value of the transaction contemplated therein exceeds PLN 6m.

GROUNDS

The proceeds of the aforementioned transaction are intended to ensure financing for the Polimery Police project under the Initial Term Sheets signed with Hyundai, KIND, and Grupa Lotos, whereby the Company's existing shareholders (i.e. Grupa Azoty S.A. and Grupa Azoty Zakłady Chemiczne Police S.A.) agreed to invest in the investment project being carried out by Grupa Azoty Polyolefins S.A. a total amount of up to PLN 1,800,000.00 (including the funds already transferred and PLN 400m the transfer of which is contingent on the occurrence of certain circumstances), and, in addition, proceeds from a Secondary Public Offering (SPO) of shares in Grupa Azoty Zakłady Chemiczne Police S.A., consisting of funds raised from the subscription for new shares by investors other than Grupa Azoty S.A. through: (a) cash contributions made to cover increased share capital of Grupa Azoty Polyolefins S.A., or (b) subordinated loans extended to Grupa Azoty Polyolefins S.A. on commercial terms.
When implemented, the Polimary Police project will be one of the most advanced chemical plants in Central and Eastern Europe. Its operations will focus on the production of polypropylene (with a target annual capacity of 437,000 tonnes) and propylene required for polypropylene production. The convenient location of Grupy Azoty Polyolefins S.A. will enable delivery of the feedstock (propane) by sea, through the Szczecin-Świnoujście canal. The location of the new project will also facilitate access to sales markets, including the Polish, German, Scandinavian and Central European markets, which are characterised by a considerable undersupply of polypropylene.

The project is of strategic importance to the Polish economy, as it is expected to materially reduce Poland’s trade deficit in plastics, lessen Poland’s reliance for energy and feedstock supplies through the construction of a new liquid fuels terminal as part of the project, create new jobs for highly qualified staff and establish a platform for the advancement of science and R&D&I.

The project is expected to be highly profitable and competitive due to the state-of-the-art, advanced production technology, attractive location and favourable market conditions, chiefly a global oversupply of propane (the feedstock) and shortage of polypropylene on the Polish and European markets.

Respectfully,

CC:
1. Addressee
2. Copy for the file

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District Court for Kraków-Śródmieście
12th Commercial Division
National Court Register (KRS) No.: 0000075450, Industry Identification Number (REGON): 850002268
Tax Identification Number (NIP): PL873-000-68-29
BDO registration number: 000012833
Share capital (fully paid up): PLN 495,977,420
www.grupaazoty.com
RESOLUTION
OF THE EXTRAORDINARY GENERAL MEETING
OF GRUPA AZOTY S.A.
DATED .................. 2020
TO GRANT CONSENT TO THE SUBSCRIPTION FOR SHARES IN THE INCREASED SHARE CAPITAL OF GRUPA AZOTY POLYOLEFINS S.A.

Acting under Article 50.12 of the Articles of Association of Grupa Azoty S.A. (the “Company”), the Extraordinary General Meeting of the Company resolves as follows:

Having considered the opinion of the Company’s Supervisory Board contained in Resolution No. .................. and the request of the Company’s Management Board of .................. to grant consent to the subscription for shares in the increased share capital of Grupa Azoty Polyolefins S.A. (“GA Polyolefins”), in connection with a proposed increase in the share capital of GA Polyolefins by way of contributing a total of PLN 632,013,244.90 to its share capital (the “Issue”), the Extraordinary General Meeting hereby resolves as follows:

SECTION 1

The Company’s General Meeting hereby consents to the subscription by the Company of Issue shares by way of a private placement within the meaning of Art. 431.2.1 of the Commercial Companies Code, for the issue price determined by the GA Polyolefins General Meeting, and in such number as is required to maintain the Company’s existing percentage shareholding in GA Polyolefins, provided that the Company’s total financial commitment to subscribe for shares in GA Polyolefins as part of the new share issue does not exceed PLN 297,047 thousand.

SECTION 2

The Company’s General Meeting hereby authorises the Company’s Management Board to take all formal and legal steps necessary to commence the subscription for the Issue shares, including to determine the final number of the Issue shares to be subscribed for based on an invitation to subscribe for the Issue shares extended by GA Polyolefins pursuant to the GA Polyolefins General Meeting’s resolution to increase the share capital and to conclude an agreement on the subscription for the Issue shares, subject to the Supervisory Board’s consent to the conclusion of such agreement if the value of the transaction contemplated therein exceeds PLN 6,000,000.

SECTION 3

This Resolution shall become effective as of its date.

GROUND:

Article 50.12.a) of the Company’s Articles of Association provides that “in particular, the powers of the General Meeting shall include:(...) 12) acquisition of or subscription for shares in another company where the value of such shares exceeds: a) PLN 100,000,000
(...). In view of the foregoing and the fact that the total issue price of the Issue shares in GA Polyolefins to be acquired by the Company may exceed PLN 100,000,000 (one hundred million złoty), the General Meeting’s resolution granting consent to the subscription for shares in another company is required.

Proceeds from Grupa Azoty Polyolefins’ share capital increase are intended to finance the continued implementation of the Polimery Police Project.

Checked for compliance with formal and legal requirements
Corporate Legal Department
Legal Counsel
Chief Specialist
Magdalena Kajkowska-Gratys
January 21st 2020
Resolution No. 561/XI/2020
of the Management Board of Grupa Azoty S.A.
dated January 21st 2020

to authorise a request to the General Meeting of Grupa Azoty S.A.

Acting pursuant to Article 21.1. and Article 21.2.12 in conjunction with Article 32.1.19, Article 50.12, and Article 51 of the Articles of Association of Grupa Azoty S.A. (the "Company"), the Management Board of the Company resolves as follows:

SECTION 1
To request the General Meeting of Grupa Azoty S.A. to consent to the subscription by the Company of new shares in Grupa Azoty Polyolefins S.A. at the issue price determined by its General Meeting.

SECTION 2
To authorise Dr. Wojciech Wardacki, President of the Management Board, to request the Supervisory Board to provide its opinion on the Request referred to in Section 1 above.

SECTION 3
This Resolution shall become effective as of its date.